

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Chippewa County Health Department	County Chippewa
Fiscal Year End September 30, 2006	Opinion Date December 7, 2006	Date Audit Report Submitted to State March 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Deanna J. Mayer</i>		Printed Name Deanna J. Mayer		License Number 1101028546

CHIPPEWA COUNTY HEALTH DEPARTMENT

BASIC FINANCIAL STATEMENTS

September 30, 2006

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, Michigan 49783

We have audited the accompanying financial statements of the governmental activities and major fund of the Chippewa County Health Department (a component unit of Chippewa County, Michigan), as of and for the year ended September 30, 2006, which collectively comprise the Health Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Chippewa County Health Department, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2006 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Department's basic financial statements. The individual departmental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

December 7, 2006

Management's Discussion and Analysis

This section of the Health Department's annual financial report presents our discussion and analysis of the Health Department's financial performance during the fiscal year ended September 30, 2006. Please read it in conjunction with the Health Department's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Health Department's FY 2006 grant funding remained relatively stable in nominal dollars, with most program funding decreasing when measured in constant dollars. It is anticipated that most FY 2007 grant funding will follow this pattern. County general appropriations to the Health Department decreased by half (\$50,000) in FY 2006, with no anticipated County general appropriation for fiscal 2007.

The Health Department did receive additional funding related to a colorectal planning grant in FY 2006 that has resulted in \$43,147 of additional funding for a Colorectal Cancer Early Detection Pilot program in FY 2007. A school based health center planning grant was also obtained in 2006. Through the related competitive process, a 3 year operating grant has been awarded for a school-based clinic in the Sault Area Schools for FY 2006 through 2008. Fiscal 2007 grant funding for this program is \$175,000. There is a high likelihood of continuation funding for this clinic beyond FY 2008. The Environmental Health division received \$24,799 in special funding related to water quality issues in the St. Mary River, particularly around the north shore of Sugar Island. It is likely that there will be some continuation of this funding in FY 2007.

The Home Health & Hospice division continues to be a significant source of support for Environmental Health and Personal & Family Health programs. A decrease in the number of other home health agencies in the area during FY 2006 resulted in significant increases in the Home Health division's workload and related revenue and expense. It is assumed that this increase will largely be sustained, at least during FY 2007. The expansion or opening of another home health agency in the area could affect this assumption. The Medicare system is expected to launch a "Pay for Performance" payment system in the near future. While we do not anticipate this having the drastic affect that the change from full cost reimbursement to PPS had, there is a possibility that home health revenues could be negatively affected. Should that happen, the problems caused by the high percentage of program losses, particularly in the Environmental Health program, will be exacerbated.

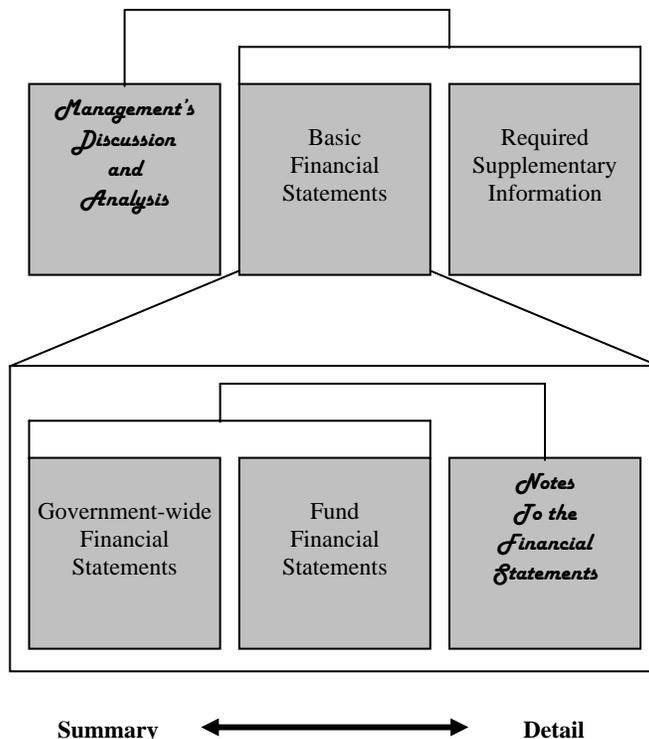
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Health Department.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Figure A-1
Required Components of the
Health Department’s Annual Financial Report**

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Health Department’s overall financial status.
 - The remaining statements are fund financial statements that focus on individual parts of the Health Department’s operations, reporting the Health Department’s operations in more detail than the government-wide statements.
 - The governmental funds statements tell how government services like Health and Welfare were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with individual statements that provide details about our individual divisions of the Health Department each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Health Department’s financial statements. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Figure A-2
Major Features of Health Department’s Government-wide and Fund Financial Statements**

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds)	The activities of the Health Department that are not proprietary or fiduciary, such as Health and Welfare
Required financial	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Health Department as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The two government-wide statements report the Health Department's net assets and how they have changed. Net assets – the difference between the Health Department's assets and liabilities – is one way to measure the Health Department's financial health, or position.

- Over time, increases or decreases in the Health Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Health Department you need to consider additional nonfinancial factors such as changes in the federal and state funding and the condition of the economy.

The government-wide financial statements of the Health Department are:

- Governmental activities – Most of the Health Department's basic services are included here, such as Public Health, Home Health, and Environmental Health programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Health Department's most significant funds-not the Health Department as a whole. Funds are accounting devices that the Health Department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- Governmental funds – All of the Health Department's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The Health Department operates with one fund, which is considered a governmental fund.

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE

Net assets. The Health Department's combined assets increased by 16.2% between fiscal years 2005 and the year ended 2006 to \$3.2 million. (See Table A-1.)

Table A-1
Health Department's Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 3,040,434	\$ 2,603,986
Capital assets	252,687	230,327
Total assets	\$ 3,293,121	\$ 2,834,313
Current liabilities	\$ 1,155,505	\$ 889,548
Long-term debt outstanding	156,295	129,519
Total liabilities	1,311,800	1,019,067
Net assets		
Invested in capital assets, net of related debt	40,442	47,998
Unrestricted	1,940,879	1,767,248
Total net assets	\$ 1,981,321	\$ 1,815,246

Net assets of the Health Department's governmental activities increased 9.1 percent or \$166,075. \$1.94 million of assets are not restricted as to the purposes for which they can be used. The remaining \$40,442 are invested in capital assets.

Changes in net assets. The Health Department's program revenues increased by 10.4 percent to \$5.8 million. (See Table A-2.) A majority of the Health Department's revenue (76.2%) comes from fees and collections.

The total cost of all primary activities increased 10.6 percent. The Health Department's expenses cover salaries, fringes, supplies, debt payments, and other expenses.

Table A-2 and the narrative that follows consider the operations of governmental-type activities.

Governmental Activities

Table A-2
Changes in Health Department's Net Assets

	Governmental Activities	
	2006	2005
Program Revenue		
Charges for Services	\$ 4,405,828	\$ 3,913,981
Operating Grants and Contributions	<u>1,710,678</u>	<u>1,368,326</u>
Total Program Revenues	<u>6,116,506</u>	<u>5,282,307</u>
Program Expenses		
Environmental/Public Health	614,129	553,305
Home Health	3,051,596	2,652,198
Community Health	2,247,927	1,847,552
Administration	12,041	87,386
Depreciation Expense – Unallocated	79,544	50,543
Interest Expense	<u>13,066</u>	<u>7,814</u>
Total Program Expenses	<u>6,018,303</u>	<u>5,198,798</u>
Net Program Revenues	<u>98,203</u>	<u>83,509</u>
General Revenues		
Interest Income	865	755
County Appropriations	50,000	115,646
Cigarette Tax	<u>17,007</u>	<u>15,647</u>
Total General Revenues	<u>67,872</u>	<u>132,048</u>
Changes in net assets	166,075	215,557
Beginning Net Assets	<u>1,815,246</u>	<u>1,599,689</u>
Ending Net Assets	<u>\$ 1,981,321</u>	<u>\$ 1,815,246</u>

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT'S FUNDS

As the Health Department completed the year, its governmental funds reported a fund balance of \$1.98 million. The primary reasons for the increase in fund balance is highlighted in the financial analysis of the Health Department.

Governmental Fund Revenues and Expenditures

Operating revenues for the Health Department increased by 15.79% and operating expenditures for the Health Department's governmental funds increased 14.21%.

Table A-3
Changes in Health Department's Fund Balance

	Governmental Operating Fund		Total Percentage Change 2005-2006
	2005	2006	
Revenues			
Intergovernmental			
Federal/State	\$ 1,051,511	\$ 1,244,455	18.35 %
Local	163,803	208,849	27.50 %
Charges for Services	3,726,959	4,405,828	18.22 %
Interest and Rents	755	865	14.57 %
Other	340,034	257,374	(24.31)%
Total Revenues	5,283,062	6,117,371	15.79 %
Expenditures			
Current			
Salaries and Wages	2,520,414	2,635,564	4.57 %
Fringes	960,450	1,125,477	17.18 %
Supplies and Materials	609,834	782,579	28.33 %
Training	14,618	12,062	(17.48)%
Contractual	582,276	740,546	27.18 %
Communications	56,541	63,450	12.22 %
Travel	210,482	163,831	(26.16)%
Space	166,380	230,730	38.68 %
Miscellaneous	220,883	346,814	57.01 %
Total Expenditures	5,341,878	6,101,053	14.21%
Excess of Revenues Over (Under) Expenditures	(58,816)	16,318	127.74 %
Other Financing Sources			
Lease Proceeds	149,814	90,306	(39.72)%
County Appropriations	115,646	50,000	(56.76)%
Cigarette Tax	15,647	17,007	8.69 %
Total Other Financing Sources	281,107	157,313	(44.04)%
Excess Revenues and Other Financial Sources Over Expenditures	\$ 222,291	\$ 173,631	(21.89)%

Budgetary Highlights

Revenue exceeded budgeted amounts for collections and reimbursements due to increased service volumes. Capital lease proceeds also increased the positive variance.

Other budgeted line items varied in reasonable amounts from appropriated amounts. Over the course of the year the Health Board amended the budget to reflect adjustments in revenues and expenditures that developed in the year.

CAPITAL ASSETS

At the end of 2006, the Health Department had invested \$253 thousand in capital assets, including furniture, equipment, and vehicles. (See Table A-4.) This amount presents a net increase (including additions and deductions) of \$22,360 or 9.71 percent, over last year.

Table A-4
Health Department’s Capital Assets
(net of depreciation)

	Governmental Activities		Total Percentage Change
	2005	2006	2005-2006
Land	\$ 2,190	\$ 2,190	- %
Equipment and furniture	228,137	250,497	(9.80)%
Vehicles	-	-	-%
Totals	<u>\$ 230,327</u>	<u>\$ 252,687</u>	<u>(9.71)%</u>

The principal change in capital assets consists mainly of hommed equipment lease purchases. More detailed information about the Health Department’s capital assets is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In adopting the budget for fiscal year 2007, the Health Department considered the budgetary problems within the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates.

CONTACTING THE HEALTH DEPARTMENT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, regulators and creditors with a general overview of the Health Department’s finances and to demonstrate the Health Department’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chippewa County Health Department in Sault Ste. Marie, MI 49783.

Basic Financial Statements

Chippewa County Health Department

Statement of Net Assets September 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Cash & Cash Equivalents	
Unrestricted	\$ 1,147,849
Restricted	436,119
Accounts Receivable (net)	1,003,547
Due From Other Governments	414,922
Prepaid Expenses	37,997
Capital Assets (Net of Accumulated Depreciation)	<u>252,687</u>
 Total Assets	 <u>\$ 3,293,121</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 214,749
Accrued Payroll and Related Liabilities	307,752
Due to Other Governmental Units	65,525
Other Liabilities	18,913
Deferred Revenue	287,088
Compensated Absences	205,528
Capital Leases	<u>55,950</u>
 Total Current Liabilities	 <u>1,155,505</u>
Non-current Liabilities:	
Capital Leases	<u>156,295</u>
 Total Non-current Liabilities	 <u>156,295</u>
 Total Liabilities	 <u>1,311,800</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	40,442
Unrestricted	<u>1,940,879</u>
 Total Net Assets	 <u>\$ 1,981,321</u>

Chippewa County Health Department

Statement of Activities For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Environmental Health	\$ 614,129	\$ 148,900	\$ 203,484	\$ (261,745)
Home Health	3,051,596	3,658,911	49,295	656,610
Personal Health	2,247,927	597,128	1,428,761	(222,038)
Administration	12,041	889	29,138	17,986
Depreciation Expense - Unallocated	79,544	-	-	(79,544)
Interest Expense - Unallocated	13,066	-	-	(13,066)
Total Governmental Activities	<u>\$ 6,018,303</u>	<u>\$ 4,405,828</u>	<u>\$ 1,710,678</u>	<u>98,203</u>
General Revenues:				
Interest Income				865
County Appropriations				50,000
Cigarette Tax				<u>17,007</u>
Total General Revenues				<u>67,872</u>
Changes in Net Assets				166,075
Net Assets - Beginning				<u>1,815,246</u>
Net Assets - Ending				<u><u>\$ 1,981,321</u></u>

Chippewa County Health Department

Balance Sheet September 30, 2006

ASSETS

Cash and Equivalents - Unrestricted	\$	1,147,849
Cash and Equivalents - Restricted		436,119
Accounts Receivable		1,003,547
Due From Other Governmental Units		414,922
Prepaid Expenditures		37,997
		<hr/>
Total Assets	\$	3,040,434
		<hr/> <hr/>

LIABILITIES AND FUND EQUITIES

Liabilities

Accounts Payable	\$	214,749
Accrued Liabilities		307,752
Due to Other Governmental Units		65,525
Other Liabilities		18,913
Deferred Revenues		287,088
Compensated Absences		205,528
		<hr/>
Total Liabilities		1,099,555
		<hr/>

Fund Equities

Fund Balance		
Unreserved		
Undesignated		1,511,454
Designated		429,425
		<hr/>
Total Fund Equities		1,940,879
		<hr/>
Total Liabilities and Fund Equities	\$	3,040,434
		<hr/> <hr/>

Chippewa County Health Department

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets For the Year Ended September 30, 2006

Total Governmental Fund Balance	\$ 1,940,879
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	252,687
Present value of minimum lease payments are not available to pay for current period expenditures and therefore are not reported in the funds. (See Note L)	<u>(212,245)</u>
Net Assets of Governmental Activities	<u>\$ 1,981,321</u>

Chippewa County Health Department

Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended September 30, 2006

Revenues:

Intergovernmental	
Federal/State	\$ 1,244,455
Local	208,849
Charges for Services	4,405,828
Interest and Rents	865
Other	257,374
	<hr/>
Total Revenues	6,117,371

Expenditures:

Current	
Salaries and Wages	2,635,564
Fringes	1,125,477
Supplies and Materials	782,579
Training	12,062
Contractual	740,546
Communications	63,450
Travel	163,831
Space	230,730
Miscellaneous	346,814
	<hr/>
Total Expenditures	6,101,053

Excess of Revenues Over (Under) Expenditures

 16,318

Other Financing Sources:

Lease Proceeds	90,306
County Appropriations	50,000
Cigarette Tax	17,007
	<hr/>

Total Other Financing Sources

 157,313

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures 173,631

Fund Balance - Beginning of Year

 1,767,248

Fund Balance - End of Year

 \$ 1,940,879

Chippewa County Health Department

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2006

Net Change in Fund Balance – Total Governmental Funds \$ 173,631

Amounts reported for governmental activities in the statements are different
because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by which
capital outlay (\$101,904) exceeded depreciation (\$79,544) in the current period. 22,360

Governmental funds report lease proceeds as other financing sources and
principal payments as expenditures. This is the amount by which lease
proceeds (\$90,306) exceeded principal payments (\$60,390) during fiscal 2006. (29,916)

Change in Net Assets of Governmental Activities \$ 166,075

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Chippewa County Health Department, (the “Health Department”) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

The Chippewa County Health Department is a Blended Component Unit of the County of Chippewa, Michigan, the purpose of which is to provide limited health services to the residents of Chippewa County. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise the fund’s assets, liabilities, fund equity, revenues, and expenditures. The County Board appoints five members to the Health Board of which two to three are Commissioners and the other members are from the public.

B. Basic Financial Statements – Government-Wide Financial Statements

The Chippewa County Health Department’s basic financial statement is government-wide (reporting the Chippewa County Health Department as a whole). All the Chippewa County Health Department’s operations are classified as governmental activities.

In the Government-Wide Statement of Net Assets, the governmental columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Chippewa County Health Department’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Chippewa County Health Department first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of the Chippewa County Health Department’s functions. The functions are supported by general revenues, (intergovernmental transfers, grants, user fees) and fees for services. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenue.

The Government-Wide Statements focus is more on the sustainability of the Chippewa County Health Department as an entity and the change in net assets resulting from the current year’s activities.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The statement of net assets and the statement of activities display information about the Health Department as a whole. The statements include all funds of the Department.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Health Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Health Department:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The Special Revenue fund is the primary operating fund. It accounts for all financial resources of the Chippewa County Health Department.

The emphasis in fund financial statements is on the major funds in the governmental activities. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

Government type activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Chippewa County Health Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles	3 years
Furniture and equipment	5 years

Compensated Absences

The Health Department accrues vested or accumulated sick and vacation leave when earned by the employee.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Investments

Investments are reported at fair value, based on quoted market prices. All deposits are carried at cost. Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Prepaid Items

Payments made to vendors for insurance and rent that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material effect on the financial statements.

Budgets and Budgetary Accounting

The Chippewa County Health Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Health Officer submits to the Chippewa County Health Department's Board of Health proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Opportunities exist for public comment during the budget process since all action by the Board of Health occurs in open public hearings.
- c. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of the Annual Operating Budget.
- d. The general statute governing Chippewa County Health Department budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board of Health policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Health Department's Board of Health, through policy action, specifically directs the Health Officer not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Chippewa County Health Department adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Health, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH:

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents- unrestricted	\$ 1,147,849	Petty cash	\$ 350
- restricted	436,119	Demand deposits -	
		savings and checking	1,583,618
TOTALS	\$ 1,583,968		\$ 1,583,968

Interest rate risk. The Health Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Health Department turns over all monies not needed for immediate payables over to Chippewa County, which invests according to their investment policy.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Health Department has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Health Department will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Health Department’s \$1,583,618 investments, \$1,411,866 are not in the name of the Health Department, but in the name of Chippewa County.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Health Department’s deposits may not be returned. State law does not require and the Health Department does not have a policy for deposit custodial credit risk. As of year end, \$201,146 of the Health Department’s bank balance of \$301,146 was exposed to credit risk because it was uninsured and uncollateralized. Of this amount at risk, \$133,737 relates to outstanding checks.

NOTE C - INVESTMENTS:

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Chippewa County Health Department to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 194, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Board of Directors is authorized to designate depositories for CCHD funds, and funds are invested in accordance with State of Michigan statutory authority.

NOTE D - EMPLOYEE RETIREMENT:

Plan Description - Chippewa County Health Department of Chippewa County, Michigan participates in two statewide government agent multiple-employer public employee pension plans, which cover substantially all employees, including employees of the Chippewa County Health Department. Non-union employees are covered under a B-3 plan and union employees are covered under a B-2 plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way Street, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Health Department’s competitive bargaining units and personnel policy, which require employees to contribute based on gross wages by the Health Department only. The Health Department is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General 4.80%

Annual Pension Costs – For the year ended 2006, the Health Department’s annual pension cost of \$110,855 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2004, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2005 is as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 4,135,339	\$ 4,379,448	\$ 4,578,204
Actuarial Accrued Liability	3,834,607	4,140,722	4,357,098
Unfunded (Over Funded) AAL	(300,732)	(238,726)	(221,106)
Funded Ratio	108%	106%	105%
Covered Payroll	1,148,953	1,193,666	1,223,138
UAAL as a Percentage of Covered Payroll	0%	0%	0%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 84,715	100%	0%
2004	111,176	100%	0%
2005	107,994	100%	0%

NOTE E - CAPITAL ASSETS:

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,190	\$ -	\$ -	\$ 2,190
<i>Capital assets being depreciated:</i>				
Furniture & equipment	407,543	101,904	(56,132)	453,315
Vehicles	<u>98,923</u>	<u>-</u>	<u>(26,268)</u>	<u>72,655</u>
Subtotal	<u>506,466</u>	<u>101,904</u>	<u>(82,400)</u>	<u>525,970</u>
<i>Less accumulated depreciation on:</i>				
Furniture & equipment	179,406	79,544	(56,132)	202,818
Vehicles	<u>98,923</u>	<u>-</u>	<u>(26,268)</u>	<u>72,655</u>
Subtotal	<u>278,329</u>	<u>79,544</u>	<u>(82,400)</u>	<u>275,473</u>
Net Capital Assets Being Depreciated	<u>228,137</u>	<u>22,360</u>	<u>-</u>	<u>250,497</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 230,327</u>	<u>\$ 22,360</u>	<u>\$ -</u>	<u>\$ 252,687</u>
		Depreciation Expense - Unallocated	<u>\$ 79,544</u>	

NOTE F - CONTINGENT LIABILITIES:

The Chippewa County Health Department has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Health Department. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Health Department at September 30, 2006.

NOTE G - FUND BALANCE DESIGNATED:

The fund balance is designated by \$20,000 to reflect monies designated for Hospice, by \$27,444 to reflect funds raised for maternal and infant support and breast cancer support, \$4,282 designated for continuing Public Health Education, \$207,349 designated for capital leases, \$170,000 to reflect monies designated for GASB 45, and \$350 designated petty cash.

Chippewa County Health Department

Notes to Financial Statements
September 30, 2006

NOTE H - RELATED PARTY TRANSACTION:

The Health Department leases its building space from the County Building Authority. The rent is currently \$13,300 per month. The County appropriates funds to the department on an annual basis.

NOTE I - ACCOUNTS RECEIVABLE:

Accounts receivable of the Health Department by program as of September 30, 2006, is summarized as follows:

	Gross Accounts Receivable 09/30/06	Contractual Allowances	Credit Allowance	Net Accounts Receivable 09/30/06
Environmental Health	\$ 7,158	\$ -	\$ (12)	\$ 7,146
Personal Health	95,432	-	(847)	94,585
Home Health	<u>918,623</u>	<u>(11,070)</u>	<u>(5,737)</u>	<u>901,816</u>
TOTALS	<u>\$ 1,021,213</u>	<u>\$ (11,070)</u>	<u>\$ (6,596)</u>	<u>\$ 1,003,547</u>

NOTE J - DUE FROM GOVERNMENTAL AGENCIES:

Various government agencies reimburse the Health Department for services rendered or based on expenditures for public health programs.

At September 30, 2006, due from governmental agencies consists of the following:

Due from Schools	\$ 7,027
Due from State of Michigan	82,136
Due from Other Agencies	75,477
Due from Cost Settlement	247,141
Other	<u>3,141</u>
TOTAL	<u>\$ 414,922</u>

NOTE K - COMPENSATED ABSENCES:

The Health Department has a contingent liability for accumulated vested vacation benefits and accumulated sick leave benefits of its employees. As of September 30, 2006 the accumulated vacation and sick leave benefits were as follows:

Vacation	Sick Leave	Compensation Time	Total
<u>\$ 73,322</u>	<u>\$ 128,073</u>	<u>\$ 4,133</u>	<u>\$ 205,528</u>

NOTE K - COMPENSATED ABSENCES: (Continued)

Vacation and Sick Leave Policy – Vacation days earned depend on date of hire. Hired prior to January 1, 2000, you can earn a maximum of 27 days per year. Hired after January 1, 2000, the maximum cannot exceed 20 days.

Sick leave cannot exceed 29 days (232 hours). Employees can carryover up to 168 hours at the beginning of each calendar year, at which time they are given an additional annual allotment of 64 hours (8 days). They are paid at the end of the calendar year for any unused hours in excess of 168. This changes the calculation of the 50% payout amount for 5-9 years employment.

NOTE L - LEASE COMMITMENTS:

The Chippewa County Health Department currently leases space from the County Building Authority under a signed operating lease arrangement. The building rent is currently \$13,300 per month.

The Department also rents space under a cancelable lease from the Rudyard Cooperative for \$350 a month in Kinross.

The Department also rents equipment from Hommed, LLC for \$3,750 a month. Some portions of the lease are reimbursed.

The Department entered into several capital lease obligations as listed below:

	<u>Phone Equipment</u>	<u>Hommed Equipment 2005</u>	<u>Hommed Equipment 2006</u>
2007	\$ 12,101	\$ 35,640	\$ 20,880
2008	7,059	35,640	20,880
2009	-	35,640	20,880
2010	-	20,790	20,880
2011	<u>-</u>	<u>-</u>	<u>10,440</u>
Total minimum lease payment	19,160	127,710	93,960
Less amount representing interest	<u>(1,088)</u>	<u>(15,577)</u>	<u>(11,920)</u>
Present value of minimum and lease payments	<u>\$ 18,072</u>	<u>\$ 112,133</u>	<u>\$ 82,040</u>
% Interest	7.332%	7.517%	6.242%
Payment	\$ 1,008	\$ 2,970	\$ 1,740

NOTE M - ADVANCES PAYABLE:

The State of Michigan has advanced monies to assist the Health Department's cash flow. This amount is payable on demand.

At September 30, 2006, advances payable consists of the following:

Radon-Non MDPH	\$	4,000
Malph-Non MDPH		<u>548</u>
TOTAL	\$	<u>4,548</u>

NOTE N - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Chippewa County, Michigan.

NOTE O - POST-EMPLOYMENT BENEFITS:

The Department provides post retirement health care insurance to all retired employees of the government pursuant to the terms of personnel policy by a group insurance plan.

The Department funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2006, the Health Department paid hospitalization premiums for qualified individuals of \$129,557. Actuarial valuations of estimated future cost were not available. At September 30, 2006, 16 retirees were receiving benefits.

Required Supplementary Information

Chippewa County Health Department

Statement of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1, 2005	\$ 1,544,957	\$ 1,591,212	\$ 1,767,248	\$ 176,036
Resources (inflows):				
Fees and Collections	3,833,300	4,283,695	4,239,530	(44,165)
Cost Settlements	157,000	168,800	166,298	(2,502)
Other Funding	235,675	455,774	257,374	(198,400)
State Funding	798,515	647,575	714,998	67,423
State - Cost Sharing	261,449	262,480	261,850	(630)
State supplied Vaccines	-	-	267,607	267,607
County Appropriation	123,647	75,007	67,007	(8,000)
Contracts and Reimbursements	64,535	60,397	209,714	149,317
Lease Proceeds	-	-	90,306	90,306
Amounts available for appropriation	5,474,121	5,953,728	6,274,684	320,956
Charges to appropriation (outflows):				
Salaries and Wages	2,546,446	2,700,002	2,635,564	64,438
Fringes	1,200,771	1,151,391	1,125,477	25,914
Supplies and Materials	398,261	502,613	514,972	(12,359)
State Supplied Vaccines	-	-	267,607	(267,607)
Training	9,854	11,510	12,062	(552)
Consultant Services	49,700	92,205	57,859	34,346
Contractual	583,641	699,338	682,687	16,651
Communications	63,072	65,582	63,450	2,132
Travel	172,362	172,254	163,831	8,423
Space	221,880	230,886	230,730	156
ADP System	30,980	39,134	40,183	(1,049)
Miscellaneous	197,152	252,775	306,631	(53,856)
Total charges to appropriations	5,474,119	5,917,690	6,101,053	(183,363)
Budgetary fund balance, September 30, 2006	\$ 1,544,959	\$ 1,627,250	\$ 1,940,879	\$ 313,629

Other Supplementary Information

Chippewa County Health Department

Statement of Revenues, By Program Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Administration	\$ 30,502	\$ 31,077	\$ 575
Shelter Management	3,200	2,350	(850)
Community Health & Safety	6,150	5,676	(474)
Food	118,491	117,964	(527)
Waste Management	112,967	114,371	1,404
Water Quality	92,665	98,161	5,496
Clean Beaches	9,834	9,851	17
Surface Water Inland Lakes	8,800	9,169	369
Sugar Island Sewage Issue	16,500	18,767	2,267
Tattoo Ordinance	1,075	1,075	-
Immunization	223,628	486,113	262,485 *
STD	30,562	35,405	4,843
Other Comm Disease	96,239	90,636	(5,603)
AIDS	77	145	68
Bioterrorism	208,378	207,297	(1,081)
BCCCP Combined	56,396	56,522	126
FP/BCCCP Joint Coordination	2,000	1,268	(732)
Colorectal Implementation	75,000	74,985	(15)
CSHCS	25,780	25,708	(72)
Family Planning	185,011	183,598	(1,413)
Healthy Kids	10,666	10,645	(21)
Well Women	14,994	15,015	21
Lamaze	8,470	4,061	(4,409)
M&CH, MSSP, & ISSP	284,124	295,332	11,208
Hearing	3,810	3,118	(692)
Vision	5,311	4,395	(916)
WIC & WIC Lactation	174,382	174,400	18
EPSTD Clinic	31,000	25,309	(5,691)
EPSTD Outreach	10,200	10,748	548
Tobacco Reduction	27,678	27,662	(16)
Car Seat Grant	2,500	2,540	40
SIG Grant	27,000	27,000	-
Substance Abuse Prevention	27,000	28,950	1,950
School/Nurse	47,000	51,148	4,148
School Based Clinic	203,100	217,323	14,223
Community Health Assessment	8,383	8,383	-
Private Duty Programs	524,300	518,157	(6,143)
Home Health	2,910,520	2,948,538	38,018 **
Hospice	330,035	331,822	1,787
TOTAL REVENUES	\$ 5,953,728	\$ 6,274,684	\$ 320,956

* \$267,607 of the immunization variance reflects the value of State supplied vaccines.

** \$90,306 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

Statement of Expenditures, By Program Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Administration	\$ 42,376	\$ 51,014	\$ (8,638)
Shelter Management	3,468	2,911	557
Radon Grant	1,320	736	584
Community Health & Safety	15,216	14,043	1,173
Food	177,343	164,314	13,029
Waste Management	227,484	218,400	9,084
Water Quality	165,534	159,790	5,744
Clean Beaches	14,827	13,770	1,057
Sugar Island Sewage Issue	23,032	26,619	(3,587)
Surface Water Inland Lakes	12,182	10,944	1,238
Tattoo Ordinance	2,124	1,706	418
E.H. Administration	950	896	54
Immunization	241,909	486,255	(244,346) *
STD	39,246	35,405	3,841
Other Comm Disease	96,684	91,206	5,478
AIDS	2,723	2,149	574
Bioterrorism	220,936	219,977	959
BCCCP Combined	71,506	68,980	2,526
FP/BCCCP Joint Coordination	2,000	1,266	734
Colorectal Implementation	85,772	82,852	2,920
CSHCS	25,780	25,341	439
Family Planning	192,191	186,401	5,790
Healthy Kids	10,666	10,645	21
Well Women	10,573	10,233	340
Lamaze	7,579	5,811	1,768
M&CH, MSSP, & ISSP	321,977	312,936	9,041
Hearing	9,539	9,477	62
Vision	9,870	9,700	170
WIC & WIC Lactation	253,554	249,200	4,354
EPSTD Clinic	21,941	20,394	1,547
EPSTD Outreach	18,130	16,855	1,275
Tobacco Reduction	27,871	27,661	210
Car Seat Grant	2,300	2,270	30
SIG Grant	27,000	27,025	(25)
Substance Abuse Prevention	32,425	32,781	(356)
School Nurse	55,775	55,454	321
School Based Clinic	232,697	235,199	(2,502)
Community Health Assessment	21,478	20,530	948
General Nursing	2,121	1,852	269
Other Misc PH Programs	95	74	21
Private Duty Programs	534,627	512,129	22,498
Home Health	2,414,915	2,444,980	(30,065) **
Hospice	237,954	230,872	7,082
TOTAL EXPENDITURES	\$ 5,917,690	\$ 6,101,053	\$ (183,363)

* \$267,607 of the immunizations variance reflects the value of State supplied vaccines.

** \$90,306 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

Administrative Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	820	889	69
Local funds	29,682	30,188	506
Total Revenues	30,502	31,077	575
EXPENDITURES:			
Salaries and wages	329,550	326,487	3,063
Fringe benefits	276,075	276,414	(339)
Supplies and materials	49,500	47,263	2,237
Training	3,200	2,988	212
Consultant services	15,500	14,346	1,154
Contractual	90,200	92,149	(1,949)
Communications	17,050	17,379	(329)
Travel	(28,400)	(28,051)	(349)
Space	94,828	93,639	1,189
ADP system	15,880	15,178	702
Other	70,486	63,047	7,439
Overhead	(926,679)	(896,912)	(29,767)
Debt service	18,588	15,490	3,098
Capital Outlay	16,598	11,598	5,000
Total Expenditures	42,376	51,015	(8,639)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (11,874)	\$ (19,938)	\$ (8,064)

Chippewa County Health Department

Environmental Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 142,915	\$ 146,717	\$ 3,802
Other funding	2,775	1,925	(850)
Local funds	25,000	25,288	288
State sources	56,526	61,618	5,092
State - cost sharing	142,466	141,836	(630)
Total Revenues	<u>369,682</u>	<u>377,384</u>	<u>7,702</u>
EXPENDITURES:			
Salaries and wages	311,468	296,877	14,591
Fringe benefits	133,820	126,353	7,467
Supplies and materials	5,786	5,106	680
Training	775	810	(35)
Contractual	15,131	17,922	(2,791)
Communications	5,150	4,956	194
Travel	26,082	24,093	1,989
Space	15,726	15,314	412
ADP system	24	24	-
Other	2,926	2,477	449
Overhead	126,592	120,197	6,395
Total Expenditures	<u>643,480</u>	<u>614,129</u>	<u>29,351</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (273,798)</u>	<u>\$ (236,745)</u>	<u>\$ 37,053</u>

Chippewa County Health Department

Home Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Lease Proceeds		\$ 90,306	\$ 90,306
Fees and collections	\$ 3,703,600	3,645,226	(58,374)
Local funds	47,570	49,300	1,730
Cost settlements	13,685	13,685	-
Total Revenues	3,764,855	3,798,517	(56,644)
EXPENDITURES:			
Health and Welfare:			
Salaries and wages	1,242,773	1,218,475	24,298
Fringe benefits	437,717	426,116	11,601
Supplies and materials	196,416	194,264	2,152
Training	5,140	5,814	(674)
Consultant services	21,200	18,428	2,772
Contractual	516,000	499,051	16,949
Communications	28,000	25,452	2,548
Travel	144,760	140,176	4,584
Space	34,461	33,784	677
ADP system	15,248	14,362	886
Other	64,038	54,690	9,348
Capital Outlay	-	90,306	(90,306)
Overhead	481,743	467,064	14,679
Total Expenditures	3,187,496	3,187,982	(486)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 577,359	\$ 610,535	\$ 33,176

Chippewa County Health Department

Personal Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 437,180	\$ 444,515	\$ 7,335
Local funds	169,880	171,946	2,066
State sources	657,642	920,986	263,344 *
State - cost sharing	120,014	120,014	-
Cost settlements	155,115	152,613	(2,502)
Other grants & projects	248,858	257,632	8,774
Total Revenues	1,788,689	2,067,706	279,017
EXPENDITURES:			
Salaries and wages	816,211	793,726	22,485
Fringe benefits	303,779	296,594	7,185
Supplies and materials	250,911	535,946	(285,035) *
Training	2,395	2,451	(56)
Consultant services	55,505	25,085	30,420
Contractual	78,007	73,565	4,442
Communications	15,382	15,663	(281)
Travel	29,812	27,613	2,199
Space	85,870	87,993	(2,123)
ADP Systems	7,982	10,619	(2,637)
Other	80,139	69,021	11,118
Overhead	318,345	309,651	8,694
Total Expenditures	2,044,338	2,247,927	(203,589)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (255,649)	\$ (180,221)	\$ 75,428

* \$267,607 of the variance reflects the value of State supplied vaccines.

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Chippewa County Health Department (a component unit of Chippewa County), as of and for the year ended September 30, 2006, which collectively comprise the Chippewa County Health Department's basic financial statements and have issued our report thereon, dated December 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chippewa County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chippewa County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Management of the Chippewa County Health Department in a separate letter dated December 7, 2006.

Conclusion

This report is intended solely for the information and use of the Board of Health and management, and federal awarding agencies, pass-through entities and others within the organization. It is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

December 7, 2006



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the component unit financial statements of the Chippewa County Health Department for the year ended September 30, 2006, and have issued our reports thereon dated December 7, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control of the Chippewa County Health Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Chippewa County Health Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Chippewa County Health Department are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Chippewa County Health Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing these historical data provided by management and using this data to compute the estimates.

The allowance for uncollectible accounts receivable is an estimate. It was calculated based on historical collection results. Cost report settlements are also estimates based on preliminary cost report calculations. Lives of fixed assets are estimated by management.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Chippewa County Health Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by Chippewa County Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Chippewa County Health Department's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Chippewa County Health Department or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Chippewa County Health Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

Payroll

It was noted during the testing of payroll that the Employment Eligibility Verification Form I-9 for several employees was incomplete or completed improperly. The errors noted related to forms completed in prior years. We recommend that the personnel files for all current employees, regardless of hire date, be reviewed and any I-9's with errors be replaced to assure that every form is completed in its entirety according to the instructions outlined on the form.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the Health Department required to implement the Statement for the year ended September 30, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the Health Department will be required to fund these benefits. Beginning in fiscal year 2009, the Health Department will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Board of Health as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Status: The Board has taken the steps to restrict some of the Agency's cash and fund balance in anticipation of the implementation needs.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the information and use of management, the Board of Health, state awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

December 7, 2006